



National Energy
Board

Office national
de l'énergie

Quarterly Financial Report For the quarter ended 31 December 2012

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the Main Estimates;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

The Board's top priorities are the protection of the environment, and the safety of the public and the people who build and operate NEB-regulated pipeline facilities. The Board has taken action to hold those we regulate accountable for results in the public interest with a rigorous compliance monitoring and enforcement program.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

The NEB receives most of its funding through annual Parliamentary authorities. The majority of these expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2012-13 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.



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The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-2013, frozen allotments will be established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In future years, the changes to departmental authorities will be implemented through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Actual Expenditures

The significant variances in the third quarter and year-to-date expenditures between 2011-12 and 2012-13 are as follows:

- Personnel expenditures are up by \$1.8M in the first three quarters of 2012-13 over the same period in the previous year. A portion of this increase is due to the timing of expenditures for planned leaves and amended Terms and Conditions of Employment for certain classifications. The remaining increase is a result of staffing actions that were completed in Q3.
- Overall travel and communications spending is approximately \$440K greater than 2011-12. This is due to a net increase in hearing and review related travel.

Planned Expenditures

Authorities increased by approximately \$4.6M during the third quarter of 2012-13 with the receipt of the funding to cover 2012-13 salary allowances as well as additional reimbursements for eligible payroll and severance payouts

The allocation of these additional authorities, combined with the \$9.3M previously received in 2012-13 were contributing factors to the following variances in planned spending compared to the same period in 2011-12.



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- Planned personnel expenditures are now expected to be approximately \$6.2M greater than 2011-12. This increase is a result of the funding for additional staff to strengthen pipeline safety that was received in the second quarter and the allocation of the reimbursement received for eligible payroll and severance payouts.
- The additional funding for pipeline safety received through Budget 2012 has contributed to an increase of \$1.0M in planned spending for the acquisition of machinery and equipment over 2011-12.
- Transfer Payments represents the NEB's Participant Funding Program (PFP) which is used to provide financial assistance to support the engagement of Aboriginal groups, landowners, not-for-profit organizations and other eligible persons in the regulatory assessment processes for major facility projects. The increase of 217% or \$3.0M in planned spending from 2011-12 to 2012-13 reflects a specific purpose one time increase in funding.

Risks and Uncertainties

The NEB operates within an evolving economic, environmental and social landscape. Dynamics such as high levels of sovereign debt in industrialized economies worldwide and an abundant energy supply in North America have impacted energy markets. Due to the nature of its mandate, the NEB's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditures and resource pressures.

The skills and experience needed by the NEB to fulfill its mandate are in high demand throughout the oil and gas industry. The NEB has experienced increasing attrition rates and non-productive staffing processes, highlighting a potential return to the very competitive recruitment environment for skilled staff within the energy sector. To mitigate this risk, the NEB has initiated a strong and strategic focus on recruitment and retention to ensure it has the right people, at the right time, for the right jobs.

The uncertain result of the ongoing negotiations related to the expiration of the current collective agreement on 31 October 2011 also creates a level of ambiguity related to staffing expenditures for the next few years.



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Significant Changes in Relation to Operations, Personnel and Programs

The approval of additional personnel to enhance priority processes for the National Energy Board will result in an increase to NEB authorities.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

The NEB is unaffected by the savings measure as announced in Budget 2012 however the department will receive \$13.5 million over two years to strengthen pipeline safety. It is expected that inspections will increase from 100 to 150 per year and the number of annual comprehensive audits will double from 3 to 6.

Approval by Senior Officials

Approved by,

Gaétan Caron, Chair and CEO

Ed Jansen, Chief Financial Officer

*(Calgary, Canada)
(25 February 2013)*



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STATEMENT OF AUTHORITIES (unaudited)

(in thousands of dollars)

	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Total available for use for the year ending March 31, 2013	Expended during the quarter ended December 31, 2012	Year to date used at quarter-end	Total available for use for the year ended March 31, 2012	Expended during the quarter ended December 31, 2011	Year to date used at quarter-end
Vote 25 – Net Operating expenditures	66,459	15,175	42,589	57,024	13,757	40,169
Budgetary statutory authorities	6,520	1,624	4,871	7,099	1,775	5,324
Total Budgetary authorities	72,979	16,799	47,460	64,123	15,532	45,493
Non-budgetary authorities						
Total authorities	72,979	16,799	47,460	64,123	15,532	45,493

More information is available in the attached table.

* Includes only Authorities available for use and granted by Parliament at quarter-end.



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DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)

Expenditures:

	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended December 31, 2012	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended December 31, 2011	Year to date used at quarter-end
Personnel	53,137	12,989	38,588	46,903	12,327	36,858
Transportation and communications	3,898	1,233	2,845	5,067	993	2,407
Information	700	389	563	361	49	195
Professional and special services	6,897	1,683	3,959	8,047	1,577	4,499
Rentals	415	156	380	328	177	391
Repair and maintenance	1,041	37	332	826	60	412
Utilities, materials and supplies	699	161	307	790	97	271
Acquisition of land, buildings and works	-	-	-	49	16	16
Acquisition of machinery and equipment	1,397	122	248	331	210	314
Transfer payments	4,340	-	123	1,366	26	89
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	455	29	115	55	-	41
Total net budgetary expenditures	72,979	16,799	47,460	64,123	15,532	45,493